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Proposed programme budget for the biennium 2018–2019

**Seismic mitigation retrofit and life-cycle replacements
project at the Economic and Social Commission for Asia
and the Pacific premises in Bangkok**

**Seventh report of the Advisory Committee on Administrative and
Budgetary Questions on the proposed programme budget for the
biennium 2018–2019**

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific premises in Bangkok (ESCAP) (A/72/338 and A/72/338/Corr.1). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 25 October 2017.

2. The report of the Secretary-General is submitted pursuant to General Assembly resolution 71/272 A, by which the Secretary-General was requested to submit to the Assembly, at the main part of its seventy-second session, a progress report on the implementation of the project, outlining, inter alia, project expenditure and total costs.

II. Progress on the implementation of the project

Cooperation with Member States and the host country

3. The report indicates that ESCAP has briefed and solicited voluntary contributions from Member States on a regular basis and has also sought contributions of expertise in the form of Junior Professional Officers or staff provided on non-reimbursable loans (A/72/338 and A/72/338/Corr.1, paras. 5–6). Upon enquiry, the Advisory Committee was informed that job openings for Junior Professional Officers were developed in the areas of legal affairs, logistics operations, programme management and planning, public information, procurement



and civil engineering and that the ESCAP project team had alerted all Member States to such job openings through notes verbales. **The Committee encourages the Secretary-General to continue his engagement with all Member States to seek voluntary contributions for the ESCAP project.**

4. With respect to the host country, the report states that ESCAP has continued to request support from the Ministry of Foreign Affairs of the host country with regard to provisional office space to be used as swing space to temporarily accommodate United Nations staff during the project implementation, as well as the possibility of in-kind contributions. During the reporting period, the host country advised ESCAP that the previously proposed swing space, Building "BC" in the Government Complex, was no longer available, and suggested an alternative solution, which is presently under discussion (A/72/338 and A/72/338/Corr.1, paras. 7–8).

5. Upon enquiry, the Advisory Committee was informed that the alternative option was 3,200 m² of space in a building in a government complex located approximately 30 km north of ESCAP, which could accommodate an average of 410 workstations. The Committee was further informed that a decision on the swing space option would be made pending a study of on-site and off-site swing space requirements and the finalization of the design and construction methodology by the lead consultant firm. **The Committee welcomes the offer of swing space by the host country and expects that the Secretary-General will continue his discussions with the host Government on off-site swing space options for the ESCAP project. The Committee trusts that the study of swing space requirements will include a cost-benefit analysis, taking into account the different costs related to off-site compared with on-site swing space, as well as the operational feasibility of the various options.**

Project governance

6. The report indicates that the overall project governance structure remains unchanged: the Executive Secretary of ESCAP is the project owner, while the Director of Administration at ESCAP manages oversight and governance of the project, liaison and interaction with stakeholders and strategic issues requiring senior-level decision-making. The day-to-day project execution is under the leadership of the dedicated Project Manager. The report also states that the stakeholders committee, which provides advice and guidance on the project to the project owner, was established in January 2017, with the project owner serving as the Chair. Working groups have been established within the stakeholders committee covering the themes of sustainability, accessibility, occupational health and safety and tenant agency operations. It is also stated that the Overseas Property Management Unit of the Office of Central Support Services at Headquarters engages with the ESCAP project management team to share best practices and lessons learned and to identify potential project risks at an early stage. In June 2017 an administration and coordination agreement was concluded between the Office of Central Support Services and ESCAP, which defines the reporting structure, roles and responsibilities and administrative arrangements to ensure that internal project control and quality assurance mechanisms are in place (A/72/338 and A/72/338/Corr.1, paras. 12–18).

Accessibility

7. Paragraph 20 of the report states that ESCAP, in consultation with the Office of Central Support Services, the Special Rapporteur of the Human Rights Council on the rights of persons with disabilities and the Committee on the Rights of Persons with Disabilities, conducted a compound-wide accessibility assessment at ESCAP premises between 19 June and 7 July 2017. Upon enquiry, the Advisory Committee was informed that the assessment would result in a road map for

necessary modifications, prioritizing them in accordance with impact, cost and ease of implementation. The Committee was also informed that a survey was distributed in August 2017 to all staff to solicit feedback on the accessibility of the premises, similar to the survey launched at Headquarters in New York. **The Committee trusts that the next progress report of the Secretary-General will include more information on the results of the accessibility assessment and road map, as well as the survey.**

Flexible workplace strategies

8. The report states that ESCAP is redesigning the office layouts for the fourteenth floor of the secretariat building to incorporate more open and informal office spaces, which will serve as a pilot for implementing flexible workplace strategies. ESCAP is also preparing to conduct a space utilization study to provide key data on the frequency and type of use of existing spaces, which will be used to inform the long-term flexible workplace solution (A/72/338 and A/72/338/Corr.1, paras. 25–26).

9. The Advisory Committee was informed upon enquiry that a further increase in space efficiency gains was expected with the implementation of flexible workplace strategies, such as in New York and Geneva, where the target desk-to-staff ratio was 1:1.25, which amounted to a 25 per cent increase in space utilization. The Committee was further informed that exact targets were not yet available for ESCAP, given the current stage of the design and change management initiative at ESCAP, and that a plan for space optimization would be developed and reported to the General Assembly in future progress reports once the lead consultant firm was on board. **The Committee is of the view that, by this stage, ESCAP should have already established targets and efficiencies to be expected from the implementation of flexible workplace strategies, and expects to see information in this regard in the next progress report. The Committee also considers that the Secretary-General should provide a clear timeline for the implementation of flexible workplace strategies at ESCAP, and expects that flexible workplace strategies will be factored into the construction phase in a timely manner.**

Energy efficiency

10. Paragraph 27 of the report indicates that Leadership in Energy and Environmental Design certification is the prevailing local practice, and ESCAP is currently evaluating whether that is an appropriate green building rating system to be applied to the seismic project. Upon enquiry, the Advisory Committee was informed that ESCAP was in the process of clarifying the various types and levels of certification available, and the cost implications of each, before a decision was made on the system to be used for the project. **The Committee trusts that an update on the certification for the project will be provided in the next progress report.**

Project team

11. The report indicates that the five approved temporary positions based in Bangkok (1 P-5 Project Manager, 1 P-4 Project Engineer, 1 P-3 Procurement Officer, 1 P-3 Civil and Structural Engineer and 1 Local level Project Administrative Assistant) have been recruited (A/72/338 and A/72/338/Corr.1, para. 30). The Advisory Committee was informed upon enquiry that the Project Coordinator (P-4), cost-shared with the Africa Hall project of the Economic Commission for Africa and located in the Office of Central Support Services at Headquarters (A/72/338 and A/72/338/Corr.1, para. 31), had been recruited and was on board.

12. The Secretary-General proposes that the following minor adjustments be made to the project team: (a) to change the position of Logistics and Coordination Officer (National Officer) to Architect and Space Planner (P-3) with the same duration of four years and six months, but starting in January 2018 instead of January 2019 and ending in June 2022 instead of June 2023; (b) the work of the Building Mechanical-Electrical Plumbing Engineer (National Officer) would start in January 2018 instead of January 2019 and end in June 2022 instead of June 2023; and (c) the duration of the Safety Project Officer (Local level) position would be reduced by six months, as this position is not needed during the defect liability period of the first half of 2023. The report indicates that the proposed changes would be cost-neutral overall (A/72/338 and A/72/338/Corr.1, paras. 33 and 35).

13. The report states that the proposed change of the Logistics and Coordination Officer (National Officer) position to the Architect and Space Planner (P-3) position relates to the level of responsibility and the technical skills required for managing the flexible workplace change management strategy, as well as the required expertise on construction supervision and coordination of moves to and from swing space (A/72/338 and A/72/338/Corr.1, para. 34). Upon enquiry, the Advisory Committee was informed that the P-3 incumbent would be the internal focal point to liaise with internal and external tenants and would possess the skills and expertise related to space planning and programming and a good understanding of United Nations policies and procedures. The Committee was further informed that best practices indicated that client interface should be led by an internal (staff) focal point. **The Committee is of the view that the liaison functions of the proposed P-3 Architect and Space Planner could be performed by staff members of the project team, while the lead consultant firm would have technical expertise on space planning and programming. The Committee is also of the view that the project team could utilize the expertise of staff of the Office of Central Support Services on flexible workplace change management strategies. The Committee is therefore not convinced that the P-3 position is required and recommends against approval of the position. The Committee recommends approval of the other proposed changes to the project team (para. 12 (b) and (c) above).**

Risk management

14. With regard to risk management, the report indicates that the Office of Central Support Services is in the process of procuring the services of an independent risk management firm, which will report directly to the Office and provide advice on the establishment of a project-specific risk management framework, as well as qualitative and quantitative risk analysis, including regular updates of the project risk register. The report states that special emphasis is being placed on managing the risk associated with currency exchange rates. Major project expenses are expected to be incurred in United States dollars, while the design contract will likely be denominated in euros, and the Thai baht will likely be used for smaller contracts (A/72/338 and A/72/338/Corr.1, paras. 39 and 43).

15. Upon enquiry, the Advisory Committee was informed that, in accordance with the Financial Regulations and Rules of the United Nations, vendors participating in international tenders bid in any currency and that therefore the currency of potential contracts would be determined at a later stage after the results of those bids. The lead consultant firm contract was expected to be issued in euros, following the tender for the firm, in line with the Financial Regulations and Rules. The Committee was also informed that the firm would utilize local expertise and know-how in the form of subconsultants in the areas of mechanical, electrical and structural engineering.

Project schedule

16. Figure 2 of the report shows the proposed project schedule as at 1 July 2017. For the post-July 2017 revised schedule, the tendering phase has been revised to start three months later than originally projected, while the construction phase has been shortened, resulting in the same overall duration. Upon enquiry as to the discrepancy between figures 1 and 2 on the timeline for the recruitment of the project team, the Advisory Committee was informed that figure 2 was incorrect, as some members of the project team would not be required until 2019 so that recruitment would be completed only in the first quarter of 2019. The Committee was also informed that a corrigendum had been issued in this regard.

17. Regarding the proposed revisions to the project schedule, the Advisory Committee was informed upon enquiry that the tendering and construction schedule had been revised to align with the extended tendering and reduced construction schedules proposed by the successful bidder for the lead consultant firm, and that the final methodology would be reviewed once the lead consultant firm was on board. The Committee was further informed that final contract negotiations with both of the recommended bidders for the lead consultant firm and the independent risk management firm were at an advanced stage, with the contract for the lead consultant firm expected to be signed in the last quarter of 2017. **The Committee emphasizes the importance of adhering to the project schedule in order to ensure that the project is completed on schedule and within the approved cost plan. The Committee considers that the next progress report should include information on the methodology used in determining the project schedule, including detailed explanations for any revisions to the schedule.**

III. Project expenditures and anticipated costs

18. Table 2 of the report indicates that, as at 1 July 2017, actual expenditures and projected expenditures in 2017 would amount to \$276,287 and \$749,020, respectively. Regarding the main variances, the report states that resources for the third-party peer review consultancy (\$75,000) and optimized office space design (\$150,000) would not be required, as the work has been included in the scope of the lead consultant firm, while expenditure of \$41,000 was incurred to hire two consultants to conduct an accessibility assessment and \$82,500 would be required for the project quality assurance system (A/72/338 and A/72/338/Corr.1, para. 72).

19. Upon enquiry, the Advisory Committee was informed that it had been discovered, when reviewing the bid proposals, that the scope for the third-party peer review and optimized office space design consultancies were covered by the lead consultant firm and that therefore the unused balance from the budgeted amounts for these two items were utilized for the quality assurance system and the accessibility assessment instead. **The Committee notes with concern that the budget erroneously included amounts for third-party peer review and optimized office space design, when it should have been known that the contract for the lead consultant firm would cover these services. The Committee further notes that the unused balance from these two items were subsequently used for the quality assurance system and the accessibility assessment, instead of being reflected as savings. In the light of these observations, the Committee recommends a reduction in the amount of \$82,500 from the overall project cost plan. The Committee expects that all efforts will be made to ensure accurate budget planning and management in future.**

20. According to table 4 of the report, the resource requirements for 2018 would amount to \$4,116,857, comprising \$2,139,000 for trade costs, \$731,304 for

consultancy fees, \$238,820 for escalation, \$333,122 for contingencies and \$674,611 for project management. Upon enquiry, the Advisory Committee was provided with the table below showing the breakdown of the individual cost components.

Resource requirements for 2018 by cost component

(Thousands of United States dollars)

Section 19, Economic and social development in Asia and the Pacific	
Project management team	674.6
Subtotal, section 19	674.6
Section 33, Construction, alteration, improvement and major maintenance	
Trade costs: swing space	
Off-site:	
Rent	350.0
Furniture	450.0
Services	199.0
On-site:	
Construction	800.0
Furniture	150.0
Standardized access control off-site	190.0
Subtotal	2 139.0
Consultancy fees	
Risk management firm	50.1
Lead consultant firm	656.2
Project quality assurance	25.0
Subtotal	731.3
Escalation	238.8
Contingencies	333.1
Subtotal, section 33	3 442.3
Total	4 116.9

Contingencies

21. With respect to contingencies, the report states that the contingency provision has been developed on the basis of a traditional percentage method, taking into consideration past experience with similar projects and other variables that may have an impact on the accuracy of the project cost estimates, especially during the early stages of project planning, including the project size, the complexity and the location. The report also states that, for planning purposes, and until the independent risk management firm is on board, a contingency provision of 10 per cent of the estimated construction cost of the project, inclusive of consultancy fees, has been included (A/72/338 and A/72/338/Corr.1, para. 76). Upon enquiry, the Advisory Committee was informed that the recommended level of contingency would change from the initial 10 per cent basis once the first Monte Carlo model was performed later in 2017 and that thereafter the recommended levels would be updated on at least an annual basis as the risk register evolved. The Committee was further informed that the Monte Carlo model was a statistical analysis method used to better

understand the impact of risks in a project, by using a range of minimum to maximum values with regard to time frames and cost estimates for stages and components, through a computer-based simulation that ran multiple random project scenarios.

22. The Advisory Committee reiterates that, in order to ensure transparency in reporting, the contingency estimates should be presented separately from the base project cost. The Advisory Committee also reiterates that the risk analysis applied to a predetermined contingency amount based on fixed percentages does not represent an actual risk-based estimation of the project contingency level. The Committee therefore recommends that the General Assembly request the Secretary-General to refine the estimation of project contingencies by basing it on the identification of risks associated with the different phases of the project, and to separate the estimated contingencies from the base project cost in the presentation of his next progress report.

23. The Advisory Committee further reiterates that contingency estimates for each phase of project implementation should be clearly indicated so that the contingency estimates and their use, if necessary, remain transparent throughout the life of the project. The Committee is also of the view that a systematic approach to managing and reporting on the use of project contingency funds should be applied so that the unused project contingency amount from one phase of the project is not carried over to the next phase. The Committee therefore recommends that unused contingency amounts be determined and returned to Member States at the completion of each phase of the project (see A/71/570, paras. 16–18). The Committee expects that the next progress report will include a detailed comparison of the fixed percentage methodology and the risk-based methodology.

IV. Conclusion

24. The Secretary-General's proposed actions to be taken by the General Assembly are set out in paragraph 79 of the report. Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:

(a) Take note of the progress made since the issuance of the previous report of the Secretary-General;

(b) Take note of the revised project cost plan (see para. 19 above);

(c) Approve the establishment of one temporary position (National Officer), effective 1 January 2018, in the dedicated project management team, under section 19, Economic and social development in Asia and the Pacific, of the proposed programme budget for the biennium 2018–2019;

(d) Appropriate an amount of \$4,057,200 for the project for 2018, comprising \$615,000 under section 19, Economic and social development in Asia and the Pacific, and \$3,442,200 under section 33, Construction, alteration, improvement and major maintenance, of the proposed programme budget for the biennium 2018–2019, which would represent a charge against the contingency fund.